

**Amendments to the CLAIMS**

1. – 3. (Canceled)

4. (Previously presented) A method as set forth in claim 34, further comprising updating the PTDF to reflect changes in state of the network or other contingencies for use in calculating future quantity exchange rates.

5. (Canceled)

6. (Currently amended) A method as set forth in claim ~~53~~4, wherein constraints on transmission are determined based on a database of existing trades.

7. (Canceled)

8. (Currently amended) A method as set forth in claim 34, further comprising presenting to other participants the said received offer made by the said at least one market participant to buy ~~and~~or sell a new point-to-point transmission right, the presenting offer including a price and a quantity adjusted based on at least one calculated quantity exchange rate.

9. - 10. (Canceled)

11. (Previously presented) A method as set forth in claim 34, further including recording trades made.

12. (Previously presented) A method as set forth in claim 11, wherein the step of recording includes updating a set of rights held by each market participant and trades made for settlement purposes.

13. (Previously presented) A method as set forth in claim 34, further including limiting trades in transmission rights to a specified subset of rights, so as to permit electrical transmission to be transferred from a location to or from a defined hub or node.

14. (Previously presented) A method as set forth in claim 34, further including accounting for new transmission constraints, in response to an introduction of new transmission constraints that reflect changes in transmission systems or other contingencies, in a set of existing constraints used in calculating quantity exchange rates between offers to buy and sell transmission rights.

15. (Withdrawn) A method for simultaneously trading transmission rights and energy on a network, the method comprising:

- receiving, from market participants, offers to buy and sell point-to-point transmission rights on the network and blocks of energy at a trading hub or other point on the network;

- calculating quantity exchange rates between offers to buy and sell transmission rights and corresponding offers to buy and sell blocks of energy for subsequent representation to other market participants to and from their defined locations on the network, the quantity exchange rates being calculated on a basis of ratios of their impact on binding transmission constraints, such that substantially all binding constraints on the network can be satisfied when trading occurs;

- determining a potential cost of acquiring incremental transmission rights for supplying energy at a participant's location and having the energy delivered to the hub or other points on the network, and a potential cost of acquiring incremental transmission rights for purchasing energy at the hub and having the energy delivered to a location;

- providing an effective price to be paid for additional energy generated at a location and an effective price to be paid for additional energy received at another location; and

- matching trades to buy and sell transmission rights and blocks of energy based on the offers to buy and sell transmission rights and blocks of energy submitted by market participants currently valid on the network.

16. (Withdrawn) A method as set forth in claim 15, wherein, in the step of calculating, the ratios of impact on binding transmission constraints are defined by a power transfer distribution function in functional or matrix form.

17. (Withdrawn) A method as set forth in claim 15, wherein the step of calculating includes computing, from the offers to buy energy at the hub, a demand schedule.

18. (Withdrawn) A method as set forth in claim 15, wherein the step of calculating includes computing, from the offers to sell energy at the hub, a supply schedule.

19. (Withdrawn) A method as set forth in claim 15, wherein, in the step of determining, the effective price to be paid for additional energy generated includes, offers to purchase energy at the hub, and the incremental costs of acquiring transmission rights for delivery of energy to the hub from a defined location.

20. (Withdrawn) A method as set forth in claim 15, wherein, in the step of determining, the effective price to be paid for additional energy received includes offers to supply energy at the hub and the incremental costs of acquiring transmission rights for delivery of energy to the hub from a defined location.

21. (Withdrawn) A method as set forth in claim 15, wherein, in the step of determining, the cost of acquiring incremental transmission rights to the hub from a participant's location for the purpose of calculating the effective price to be paid for additional energy supplied includes the cost of acquiring transmission rights from other participants at prevailing prices.

22. (Withdrawn) A method as set forth in claim 15, wherein, in the step of determining, the cost of acquiring incremental transmission rights to the hub from a participant's location for the purpose of calculating the effective price to be paid for additional energy supplied is zero if all of the needed

rights for additional sales of energy were already held by that participants and were not used for other sales or purchase transactions.

23. (Withdrawn) A method as set forth in claim 15, wherein, in the step of determining, the cost of acquiring incremental transmission rights from the hub to a participant's location for the purpose of calculating the effective price to be paid for additional energy purchased includes the cost of acquiring transmission rights from other participants at prevailing prices.

24. (Withdrawn) A method as set forth in claim 15, wherein, in the step of determining, the cost of acquiring incremental transmission rights from the hub to a participant's location for the purpose of calculating the effective price to be paid for additional energy purchased is zero if all of the needed rights for additional purchases of energy were already held by the participants and were not used for other sales or purchase transactions.

25. (Withdrawn) A method as set forth in claim 15, wherein the step of determining includes assessing a potential for generating a counterflow on a constrained or potentially constrained transmission line on the network.

26. (Withdrawn) A method as set forth in claim 25, wherein the potential for generating a counterflow can be determined from a PTDF matrix and a set of binding transmission constraints.

27. (Withdrawn) A method as set forth in claim 25, wherein the step of determining further includes providing a participant generating a counterflow with additional rights on a constrained or potentially constrained transmission line on the network.

28. (Withdrawn) A method as set forth in claim 25, wherein the step of determining further includes subtracting a value of the counterflow from the cost of acquiring incremental rights for the purpose of calculating the effective price of energy at a location.

29. (Withdrawn) A method as set forth in claim 15, wherein, in the step of matching, the matching of trades to buy and sell transmission rights and blocks of energy is based on the adjusted quantities and prices of transmission rights and blocks of energy.

30. (Withdrawn) A method as set forth in claim 15, wherein the step of matching includes processing orders to buy and sell transmission rights and blocks of energy submitted from the participants, which orders are in response to the offers made by other participants.

31. (Withdrawn) A method as set forth in claim 15, further comprising representing the offers to buy and sell transmission rights and blocks of energy made by each participant to other participants, the representing offers including prices and quantities adjusted based on the calculated exchange rates.

32. (Withdrawn) A method as set forth in claim 15, further including recording trades made.

33. (Withdrawn) A method as set forth in claim 32, wherein the step of recording includes updating set of rights held by each market participant and the trades made for settlement purposes.

34. (Previously presented) A method for trading electrical transmission rights, comprising:

- (a) receiving, from a market participant, an offer to buy or sell a point-to-point transmission right on a network;

- (b) for said received offer, determining if an acceptance of the said received offer would violate at least one transmission constraint for a component of said network;

- (c) for said received offer, whose acceptance would violate at least one transmission constraint for a network component, calculating, for at least one violated transmission constraint for a network component, and for at least one other point-to-point transmission right which utilizes the said network component, a quantity exchange rate for the said network component between said received offer, and the said other right;

wherein the quantity exchange rate is calculated using a Power Transfer Distribution Function (PTDF) matrix, and is based upon a ratio of the PTDF matrix elements for the said received offer and the said other right for the said constrained network component;

(d) for said received offer, whose acceptance would violate at least one transmission constraint for a network component, permitting a portion of said other right to be purchased,

wherein the portion is calculated based upon an amount by which the transmission constraint would be violated by the acceptance of said received offer, and further based upon the said quantity exchange rate between the said received offer and the said other right for the said constrained network component; and

(e) permitting the said received offer to be accepted, upon the said portion of said other right being purchased.

35. (Previously presented) A method as set forth in claim 34, further comprising,

for said received offer, whose acceptance would violate a plurality of transmission constraints for network components, and said other right, determining, for each said constraint that would be violated, a portion of the said other right that would need to be purchased to satisfy the said constraint,

wherein the portion is calculated based upon an amount by which the transmission constraint would be violated by the acceptance of said received offer, and further based upon the said quantity exchange rate between the said received offer and the said other right for the said constrained network component; and

permitting a portion of the said other right, sufficient to satisfy all said constraints, to be purchased.